

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Docket No. 2003-179

June 24, 2003

CENTRAL MAINE POWER COMPANY  
Review (Post Merger) "ARP2000"

ORDER APPROVING  
STIPULATION

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

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**I. SUMMARY**

On November 16, 2000, we issued an Order Approving Stipulation which put into place a second Alternative Rate Plan for Central Maine Power Company (CMP) entitled "ARP 2000." In this Order, we approve a Stipulation which requires CMP to decrease its distribution rates by 7.82% as part of the third price change under ARP 2000. Consistent with the Commission's Order in *Maine Public Utilities Commission, Investigation of Rate Design of Transmission and Distribution Utilities*, Docket No. 2001-245, Order Approving Stipulations (Central Maine Power Company and Bangor Hydro-Electric Company) (Dec. 2, 2002) this year's price change is allocated solely to the per kWh charge for CMP's residential and small commercial customers and in equal proportions to reduce the winter kW and kWh rate components for those customer classes with seasonal differentiated rates.

**II. BACKGROUND AND DESCRIPTION OF THE STIPULATION**

Under the terms of the ARP 2000 Stipulation, CMP is required to submit specific information each year on March 15 to be used to compute the annual allowable price change to go into effect on July 1 of that year. CMP was granted an additional three days to file its case by the Examiner in this matter, and on March 18, 2003, CMP submitted its third annual ARP 2000 filing for rates to go into effect on July 1, 2003. In its filing, CMP proposed a 7.98% decrease to distribution rates. The proposed decrease was composed of the following components: a .95% decrease resulting from the base inflation minus productivity formula; a 7.5% decrease resulting from the adjustment for expiring amortizations called for in the ARP 2000 Stipulation; a decrease of .95% for the refunding of conservation program revenue over-collections; a decrease of .29% for Electric Lifeline Program over-collections; a decrease of .30% for the actual and anticipated incremental revenue from the increase in CMP's establishment of service charges approved in Docket No. 2001-245; an increase of .58% resulting from a flow-through of costs complying with LD. 665 "An Act To Protect The Environment By Phasing Out The Use Of Old Transformers That Are Potential Sources Of PCB Pollution"; and finally an increase of 1.44% to reverse one-time rate reductions included in last year's ARP price change. In addition, CMP included two items that it believed qualified as mandated costs under the ARP 2000. The first item was for costs associated with a winter storm which occurred on January 16, 2002. The second item was for lower tax costs resulting from the federal government's establishment of a bonus tax depreciation rule. As the net total mandated costs was less than the

\$3,000,000 aggregate threshold, no mandated costs were included in the rate change proposal.

On March 25, 2003, the Commission issued a Notice of Proceeding which provided interested persons with an opportunity to intervene in this matter. The Office of the Public Advocate (OPA) and the Industrial Energy Consumers Group (IECG) filed petitions to intervene which were granted without objection. Technical conferences on CMP's proposal were held on April 11, 2003, May 14, 2003 and on June 6, 2003.

On June 9, 2003, we received a Stipulation entered into between CMP and the OPA which purported to resolve all issues in this matter. In its cover letter to the Stipulation, CMP indicated that it was CMP's understanding that the IECG would not be signing the Stipulation but would not oppose it. On June 13, 2003, however, the IECG filed an executed signature page to the Stipulation indicating that it was now a party to the Stipulation.

Under the terms of the Stipulation, CMP would decrease its price-capped distribution rates by 7.82%. The parties to the Stipulation agreed to accept CMP's annual compliance filing of March 18, 2003 with certain minor modifications. First, the inflation index used in the base price change formula was updated to reflect the full year's results for 2002. Second, the parties agreed to include additional costs under L.D. 665 associated with the removal of old transformers which CMP had not included in its original filing. The parties, however, reserved the right to contest the issue of whether or not the removal costs constituted incremental costs authorized to be flowed-through to ratepayers in the 2004 annual ARP review proceeding. If these costs are determined not to be incremental costs, CMP will calculate a one-year refund of any rejected amounts. Third, the parties agreed that CMP, as part of its compliance filing in this case, should update its Establishment of Service Fee Schedule to include actual values through May, 2003 and that CMP would reconcile actual Establishment of Service Fee revenues with projected revenues during the remainder of ARP 2000. In addition, the parties noted that they do not agree as to whether the winter storm event classified by CMP as a mandated cost, actually qualifies as a mandated cost under ARP 2000 and proposed that the Commission should not resolve this issue at this time. Finally, CMP updated its rate schedules in accordance with the agreed to changes.

### **III. DECISION**

As we have now stated on many occasions, to accept a stipulation the Commission must find:

1. the parties joining the stipulation represent a sufficiently broad spectrum of interests that the Commission can be sure that there is no appearance or reality of disenfranchisement;

2. the process that led to the stipulation was fair to all parties; and
3. the stipulated result is reasonable and is not contrary to legislative mandates.

See *Central Maine Power Company, Proposed Increase in Rates*, Docket No. 92-345(II), Detailed Opinion and Subsidiary Findings (Me. P.U.C. Jan. 10, 1995), and *Maine Public Service Company, Proposed Increase in Rates (Rate Design)*, Docket No. 95-052, Order (Me. P.U.C. June 26, 1996). We have also recognized that we have an obligation to ensure that the overall stipulated result is in the public interest. See *Northern Utilities, Inc., Proposed Environmental Response Cost Recovery*, Docket No. 96-678, Order Approving Stipulation (Me. P.U.C. April 28, 1997). We find that the proposed Stipulation in this case meets these criteria.

The stipulation before us was entered between CMP, the OPA and the IECG, or all of the parties to this proceeding. In addition, our Advisory Staff was an active participant in the settlement process and had indicated its support for the Stipulation. Our review of the procedural history here indicates that all procedural safeguards were satisfied in this instance. We therefore, find that both criteria one and two, set forth above, have been satisfied in this instance.

Finally, we find that the stipulated result is reasonable, not contrary, to the public interest and consistent with legislative mandates. As general matter, alternative rate plans such as the ARP 2000 are designated to reduce the amount of regulatory litigation over a utility's rates by tying rates to a specific rate change formula. We also find that the Stipulation here is consistent with the ARP 2000 rate change formula approved by the Commission in *Central Maine Power Company, Request for Approval of Alternative Rate Plan (Post merger) "ARP 2000"*, Docket No. 99-666, Order Approving Stipulation (Nov. 16, 2000).

Accordingly, we

#### O R D E R

That the Stipulation entered into by Central Maine Power Company, the Office of the Public Advocate and the Industrial Energy Consumers Group and filed with the

Commission on June 9, 2003 is approved. A copy of the Stipulation is attached hereto and is incorporated by reference.

Dated at Augusta, Maine, this 24<sup>th</sup> day of June, 2003.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl  
Administrative Director

COMMISSIONERS VOTING FOR:      Nugent  
   Diamond  
   Welch

## NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.